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Mexico

Poultry and Products

Annual Report

2007

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Report Highlights:
Mexico's poultry industry is forecast to continue growing through MY 2008 (Jan-Dec), though not at the same rate that the industry has experienced over the past several years. Higher costs of production, which translate into higher consumer prices, and competition from foreign imports, will have a dampening effect on the industry. Imports of U.S. poultry and poultry products are forecast to increase in response to growing demand. Mexico's avian influenza restriction on 11 Texas counties was recently lifted. The cessation of this restriction coincided with an end to the requirement that U.S. trucks carrying raw poultry products be sealed at the point of origin. Chile is emerging as a more significant supplier of frozen poultry for further processing as Mexican importers look to diversify suppliers.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico City [MX1]
[MX]

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SECTION I. SITUATION AND OUTLOOK

POULTRY SITUATION AND OUTLOOK

Poultry meat production is expected to increase in both MY 2007 and MY 2008. However, the current rate of increase is lower relative to the growth that the Mexican poultry industry has experienced over the past decade. This slower growth rate is primarily attributable to higher production costs, mainly imported grains, and continued competition from poultry imports. The Mexican industry appears to have taken advantage of the time afforded by the safeguard agreement that was signed in July of 2003, which established a tariff-rate quota (TRQ) for imports of U.S. chicken leg quarters (CLQs). Some larger scale producers have taken steps to improve quality and sanitary practices in an attempt to realize new export opportunities. Mexico does not yet have an equivalency agreement with USDA's Food Safety Inspection Service that would allow for exports of domestically produced poultry meat and egg products to the United States, though officials continue to work towards this objective.

Imports of both chicken and turkey meat are forecast to increase slightly in MY 2008, primarily in response to growing demand from Mexican food processors for mechanically separated meat and cuts for further processing. In July of 2007 the Government of Mexico withdrew the avian influenza ban on poultry from 11 counties in Texas. The termination of this ban was accompanied by an end to the requirement that all shipments of raw U.S. poultry to Mexico to be sealed at the point of origin. CLQ imports are expected to continue to be strong. In fact over quota imports of CLQs are expected to increase due to significantly higher wholesale prices.

Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psd.

SECTION II. STATISTICAL TABLES

POULTRY MEAT, BROILER PS&D

Mexico									
Poultry, Meat, Broiler	(MIL HEAD) (1000 MT) (PERCENT)								
	2006 Revised			**2007 Estimate**			**2008 Forecast**		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	2576	2576	2592	2641	2641	2656	0	0	2722
Whole, Imports	0	0	0	0	0	0	0	0	0
Parts, Imports	430	430	430	460	454	415	0	0	425
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	430	430	430	460	454	415	0	0	425
Total Supply	3006	3006	3022	3101	3095	3071	0	0	3147
Whole, Exports	0	0	0	0	0	0	0	0	0
Parts, Exports	1	0	1	1	0	1	0	0	0
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	1	0	1	1	0	1	0	0	0
Human Consumption	3005	3006	3021	3100	3095	3070	0	0	3147
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	3005	3006	3021	3100	3095	3070	0	0	3147
Total Use	3006	3006	3022	3101	3095	3071	0	0	3147
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	3006	3006	3022	3101	3095	3071	0	0	3147
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0	0	0
Production Change	3	3	3	-3	3	2	0	0	2
Import Change	15	14	15	8	6	-3	0	0	2
Export Change	0	0	0	0	0	0	0	0	0
Trade Balance	-429	-430	-429	-459	-454	-414	0	0	-425
Consumption Change	5	5	5	-2	3	2	0	0	3

Not official USDA data

POULTRY MEAT. TURKEY PS&D

Mexico									
Poultry, Meat, Turkey	(MIL HEAD) (1000 MT) (PERCENT)								
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	14	13	14	15	0	15	0	0	15
Whole, Imports	0	0	0	0	0	0	0	0	0
Parts, Imports	190	179	188	200	0	197	0	0	207
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	190	179	188	200	0	197	0	0	207
Total Supply	204	192	202	215	0	212	0	0	222
Whole, Exports	0	1	0	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0	0	0	0
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	1	0	0	0	0	0	0	0
Human Consumption	204	191	202	215	0	212	0	0	222
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumpt.	204	191	202	215	0	212	0	0	222
Total Use	204	192	202	215	0	212	0	0	222
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	204	192	202	215	0	212	0	0	222
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0	0	0
Production Change	0	0	0	7	-100	7	0	0	0
Import Change	3	0	3	5	-100	5	0	0	5
Export Change	0	0	0	0	-100	0	0	0	0
Trade Balance	-190	-178	-188	-200	0	-197	0	0	-207
Consumption Change	3	0	3	5	-100	5	0	0	5

Not USDA official data

BROILERS WET MARKET PRICES

Broilers[①] Wet Market Prices, Mexico City Pesos / kilogram				
Month	2005	2006	2007	% Change 06/07
January	21.63	23.04	27.00	17.18
February	22.38	22.50	24.50	8.88
March	22.50	22.73	21.00	(7.61)
April	22.83	19.25	21.22	10.23
May	23.00	26.50	22.96	(13.35)
June	22.00	19.00	26.13	N/A
July	22.67	20.33	N/A	N/A
August	22.17	20.58	N/A	N/A
September	21.38	21.50	N/A	N/A
October	20.25	21.25	N/A	N/A
November	21.75	20.48	N/A	N/A
December	19.00	23.58	N/A	N/A
Annual Avg.	21.80	21.73	23.33	

[①] Whole chicken including offal

Source: National poultry association, UNA.

CHICKEN LEQ QUARTER WHOLESALE PRICES

Chicken Leg Quarter Wholesale Prices, Mexico City Pesos / kilogram				
Month	2005	2006	2007	% Change 06/07
January	21.96	17.00	21.06	23.88
February	22.55	17.96	20.61	14.75
March	20.95	18.91	18.23	(3.59)
April	18.08	18.30	19.99	9.23
May	20.34	20.87	25.07	20.12
June	22.98	24.66	23.81	(3.44)
July	27.75	18.57	23.99	29.18
August	27.07	22.42	N/A	N/A
September	22.32	20.05	N/A	N/A
October	18.23	20.00	N/A	N/A
November	17.17	21.66	N/A	N/A
December	18.78	24.50	N/A	N/A
Annual Avg.	**21.51**	**20.41**	**21.82**	

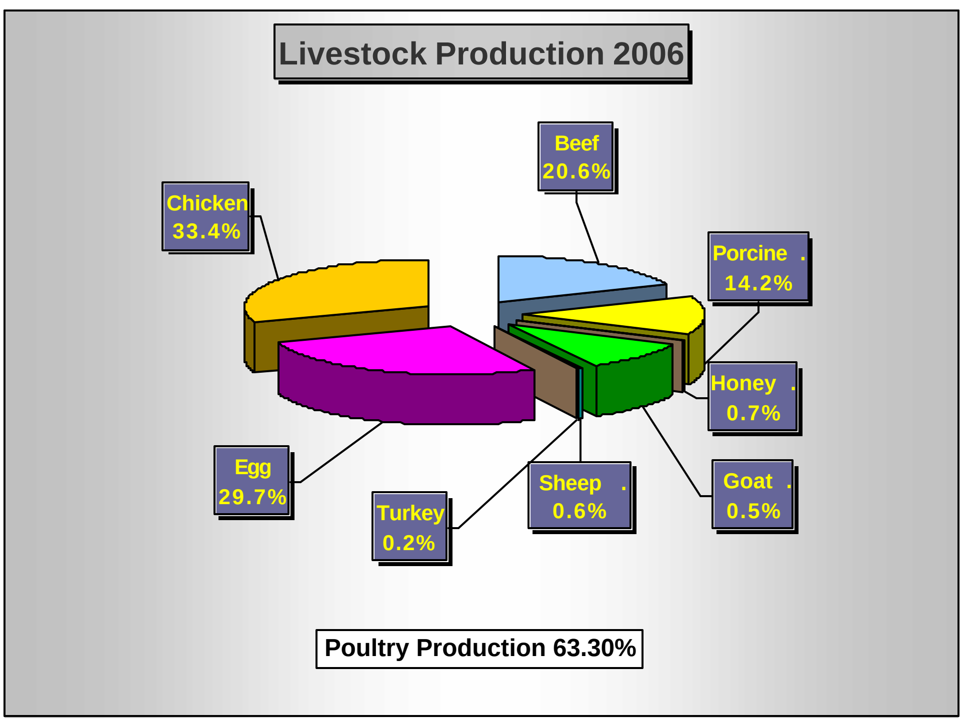
Source: National information market service, (SNIIM)
2005 Exchange Rate Avg.: U.S.$1.00 = 10.89 pesos
2006 Exchange Rate Avg.: U.S.$1.00 = 10.90 pesos
2007 Exchange Rate August.: U.S.$1.00 = 11.20 pesos

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS Jan-Dec 2006

H.S. Tariff Number	Description & Country of Origin	Volume MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S.	1,988
	SPAIN	25
	HUNGARY	19
	SUBTOTAL (Thousand head)	2,031
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	
		715
	U.S. & SUBTOTAL (Thousand head)	715
0105.11.99	Other	
	U.S. & SUBTOTAL	0
0105.19.99	Other (Chickens)	
	U.S. & SUBTOTAL (Thousand head)	5
0207.11.01	Other fresh or chilled whole poultry	
	U.S. & SUBTOTAL	29,170
0207.12.01	Other frozen whole poultry	
	U.S.	3,093
	CHILE	552
	SUBTOTAL	3,644
0207.25.01	Whole frozen turkey	
	U.S.	3,125
	CHILE	2,036
	OTHER	0
	SUBTOTAL	5,161
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S. & SUBTOTAL	920
0207.26.01	Mechanically deboned turkey meat	
	U.S. & SUBTOTAL	6,432
0207.26.99	Fresh & chilled turkey parts	
	U.S. & SUBTOTAL	112,651
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. & SUBTOTAL	123,404
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	42,885
	CHILE	15,635
	SUBTOTAL	58,520
0207.13.99	Fresh & chilled chicken parts	
	U.S. & SUBTOTAL	5,798
0207.14.99	Frozen poultry parts	
	U.S.	11,512
	OTHER	9,733
	SUBTOTAL	21,245
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
	U.S.	78,369
	OTHER	1,198
	SUBTOTAL	79,567
0207.14.04	Chicken Leg Quarter, Frozen	
	U.S.	70,744
	OTHER	1,162
	SUBTOTAL	71,706
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	11,655
	OTHER	2,657
	SUBTOTAL	14,312
0207.27.99	Frozen turkey parts	
	U.S.	33,377
	OTHER	5,524
	SUBTOTAL	38,901

H.S. Tariff Number	Description & Country of Origin	Volume MT
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S. & SUBTOTAL	54
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. & SUBTOTAL	4
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S. & SUBTOTAL	5,601
1601.00.01	Sausages of broiler or turkey	
	U.S.	17,214
	OTHER	166
	SUBTOTAL	17,380
1602.31.01	Processed meat (Turkey)	
	U.S.	2,712
	OTHER	251
	SUBTOTAL	2,963
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	5,755
	OTHER	1,578
	SUBTOTAL	8,333
1602.39.99	Other processed poultry meat	
	U.S.	16
	FRANCE	8
	OTHER	10
	SUBTOTAL	34
0207.13.02	Chicken carcasses	
	U.S. & SUBTOTAL	13,273
0207.14.03	Chicken carcasses	
	U.S. & SUBTOTAL	3,825
0207.26.02	Turkey carcasses	
	U.S. & SUBTOTAL	0
0207.27.03	Turkey carcasses	
	U.S. & SUBTOTAL	0

SOURCE: GLOBAL TRADE INFORMATION SERVICES, INC. "WORLD TRADE ATLAS" MEXICO EDITION, SEPTEMBER 2007.



POULTRY NUMBERS

MEXICO: POULTRY NUMBERS, 2006	
Type of Bird	**Thousand of Head**
Laying Hens in production*	132,464,112
Pullets in grow out	39,739,234
Light Breeding Hens in production	942,250
Light Breeding Hens in grow out	277,161
Heavy Breeder Hens in production	9,186,000
Heavy Breeder Hens in grow out	6,429,000
Heavy Progenitor Hens in production	175,579
Heavy Progenitor Hens in grow out	114,850
Broilers (Per cycle)	248,060,826
Turkeys (Per cycle)	900,000
Total Poultry Flock	438,289,012

*THERE ARE AN ESTIMATED 34 MILLION LAYING HENS IN THE SECOND CYCLE
SOURCE: UNA (NATIONAL POULTRY ASSOCIATION)

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

CHICKEN MEAT

PRODUCTION

Mexican poultry meat production for MY 2008 (Jan-Dec) is forecast to increase to 2.7 million tons, a 2.4 percent increase over MY 2007 production. In 2008 the poultry industry will benefit from the complete implementation of the North America Free Trade Agreement due to the fact that corn, an important input for the industry, will no longer be subject to a tariff rate quota (TRQ) for entrance into Mexico. However, because of higher global grain prices, partially due to demand from the U.S. ethanol industry, the total costs of production within the Mexican poultry industry will likely experience a marginal increase, resulting in more moderate growth than in years past. This slower growth rate is also attributable to continued growth in poultry imports. Producers have benefited from the trade protection afforded by the safeguard agreement for chicken leg quarters (CLQs) that has been in place since 2003. The safeguard has enabled Mexico's poultry industry to invest in modern technologies in order to enhance their competitive position when the safeguard is removed in 2008. Nonetheless, some producers remain concerned about whether or not they will be competitive in 2008, even though poultry will continue to be cheaper relative to other meats in Mexico.

According to the Poultry Producers Association (UNA), feed consumption for MY 2006 was estimated at 13.4 MMT, (8.4 MMT of feed grains, 2.7 MMT of oilseeds and protein meals, and 2.3 MMT of other raw materials). UNA estimates that feed consumption will grow about 2.2 percent in MY 2007. Feed costs in Mexico represent 55 to 60 percent of the total cost of production. Poultry producers continue to be major users of imported feedstuffs from the United States. Producers indicate that 60 percent of their imports are comprised of sorghum and yellow corn, 23 percent from oilseeds and protein meals, and 17 percent from other products such as safflower, orthophosphate, calcium, and methionine. However, in 2008 the percentage of imported corn and sorghum could change depending on international grain and oilseed prices. Poultry producers tend to prefer yellow corn to sorghum because it boasts greater nutritional value, and because of the color it gives to the birds' skins. Historically, Mexico has been a white corn producer and only a small percentage of its corn production has been utilized as animal feed, which has compelled the poultry industry to import the grain from the United States. The poultry industry sources yellow corn domestically, however since domestic supply is not sufficient to cover demand, yellow corn is imported from the U.S. at higher prices. The surge in international corn prices starting in the fall of 2006 led to increases at the retail level for poultry and egg prices at the beginning of 2007. According to UNA, domestic producers absorbed most of the grain price increases through the first quarter of 2007, but they will eventually be forced to raise consumer prices. The Poultry Producers Association estimated that for every $1,000 pesos per ton increase in coarse grains, poultry prices would increase by about $2 pesos/kg. In addition to higher grain prices, producers also complain that higher prices for electricity, packing materials and transportation costs continue to add to production costs.

The average bird grow-out period depends largely on where and how the bird will be sold. For live birds and whole chickens, including offal, which are commonly sold in street markets, the average grow-out period is 49-56 days. Birds for the broiler market (whole chicken without offal) have an average grow-out period of 40-44 days. Those grown for sale in supermarkets (whole chicken without offal and chicken cuts) are typically grown-out in 44-49 days. The average daily gain is 36-44 grams per bird. The average bird weight when marketed is on average 2.2 kg. The poultry industry reports that the average feed conversion ratio is 2.0 kg of feed to 1 kg of poultry meat.

Industry consolidation and investment in infrastructure are expected to continue in the medium-term, but the expansion of large, vertically integrated companies is slowing due to the implementation of provisions contained in Mexico's Federal Economic Competition Law (*Ley Federal de Competencia Economica*). The objective of this law is to restrict monopoly practices. In 2006, three leading companies accounted for 55 percent of total domestic production of chicken meat. Medium-size companies will likely merge into cooperatives and associations, with smaller players becoming contract producers.

CHICKEN FARM COMPOSITION				
	COMPANIES		% PARTICIPATION IN PRODUCTION	
	1996	2006	1996	2006
LARGE	2	3	33	55
MEDIUM	27	30	40	41
SMALL	181	170	27	4

Source: UNA

U.S. firms are significant suppliers of genetics to the Mexican poultry industry and an estimated 97 percent of Mexican broilers come from lines produced by two U.S. companies. For layers, about 91 percent of production is white eggs and U.S. firms are also the dominant suppliers of genetic lines.

CONSUMPTION

Chicken producers continue to enjoy favorable demand for their products. Chicken meat consumption for MY 2008 is forecast to increase by 2.5 percent due to several factors, including population growth, the affordability of chicken relative to other meats, effective marketing campaigns, increased usage in processed food products, and improved product quality. Supermarkets frequently display imported poultry meat, including CLQs. Increased consumer concerns about cholesterol and other health issues are resulting in greater marketing opportunities for chicken meat.

The MY 2007 domestic consumption estimate was revised downward from previous estimates, reflecting slower demand compared to last year, though MY 2006 consumption was atypically high. Since CLQ prices in the U.S. were lower during the first quarter of 2006 due to larger supplies, Mexico imported more product for border areas and the processing industry. Also a number of importers brought in product at a much faster rate, believing Mexican officials might limit imports due to AI concerns. Nonetheless, consumption has been increasing as a result of greater demand for chicken meat at affordable prices, and increased usage in processed food products. CLQ bulk prices in the U.S. for August 2007 averaged $0.46 to $0.50 cents per pound, and imported CLQs are crossing at about U.S. $0.52 cents per pound. Domestic wholesale CLQ prices in Mexico City were about U.S. $0.87/lb in January 2007 and increased to U.S. $0.99/lb in July 2006. The Poultry Producers Association estimates that the average per capita consumption for chicken will increase from 54.67 pounds in 2006 to 55.66 pounds for 2007. The consumption estimate for MY 2006 was revised upward based on industry information.

Consumers continue to prefer fresh whole chickens to chicken cuts. However, purchases of chicken cuts are increasing slowly, mainly in supermarkets servicing higher-income consumers. Mexican consumers tend to prefer dark meat to white meat. According to current industry information, roasting chickens (whole chicken without offal) accounts for 26 percent of chicken meat consumption, while chickens sold in wet markets and stalls (whole chicken including offal) accounts for approximately 24 percent of the total. Live birds represent 27 percent of total chicken meat consumption. The trend of buying live chickens has been decreasing over time. During the past six years it has decreased from 31 percent to 27 percent in 2006. Chicken meat consumption purchased in supermarkets increased from 5 to 7 percent in 2006 (whole chicken without offal), and chicken cuts account for less than 11 percent of total consumption. Value-added products account for about 6 percent of total consumption.

TRADE

In July of 2006 the Mexican government lifted the avian influenza ban on the 11 counties in Texas. SAGARPA/SENASICA visited Texas in late May 2007 to confirm that the state was cleared from HPAI, and then on August 3, 2007 the import sanitary permits (HRZ) from Mexico were revised to reflect the notification to USDA that it had withdrawn the AI ban on poultry from the 11 counties. The lifting of the ban coincided with the termination of the requirement that all shipments of raw U.S. poultry to Mexico to be sealed at the point of origin. Shipments of live birds less than three days old must still be under seal, and boxes of table eggs as well as Specific Pathogen Free (SPF) eggs must show the stamp of the competent authority. In recent years concerns over the presence of Low Pathogenic Avian Influenza (LPAI) and High Pathogenic Avian Influenza (HPAI) in the United States resulted in the establishment, by SAGARPA, of import restrictions for poultry and poultry products from several U.S. states during 2003 and 2004. Except for HPAI in Texas, restrictions on LPAI were lifted in October 4, 2005.

Because U.S. trucks carrying poultry into Mexico are no longer required to be sealed at the point of origin the costs associated with exporting to Mexico are less prohibitive. Furthermore, the declaration of the 11 Texas counties as AI free has increased the pool of potential exporters. Chicken and turkey meat are the primary poultry products imported by Mexico. The processing industry imports most of the mechanically separated poultry, chicken and turkey (MSC & MST), and poultry cuts as inputs for the domestic sausage and cold-cut industries. Imports of chicken cuts, mainly leg quarters, and mechanically separated chicken (MSC) for MY 2008 are forecast to continue increasing due to rising demand from the processing industry. Large meat processors prefer fresh, refrigerated product, while medium-small sized processors tend to use frozen product. Imports of chicken meat for MY 2007 were revised downward from previous estimates due to lower demand from the industry compared to 2006, as MY 2006 was considered by the Mexican industry as atypical with higher imports due to concerns that Mexican officials would limit imports due to AI concerns. MY 2006 import data remains unchanged. The United States is the main supplier of chicken meat to Mexico. However, Chile's presence in the poultry market is expected to continue to increase as importers seek to diversify suppliers in response to changing disease conditions in North America. Chile currently supplies about 17 percent of frozen chicken cuts into Mexico.

CLQs imported under the poultry safeguard are expected to reach the 104,060 MT tariff-rate-quota (TRQ) limit for MY 2007. According to official data, the CLQ TRQ for MY 2006 was 100 percent filled. According to industry trade data, imported CLQs under H.T.S. 0207.13.03 & 0207.14.04 were 45,832 MT as of April 2007, about 18 percent lower compared to the same period in 2006. Imports of CLQs beyond border areas are subject to an over quota tariff of 19.8 percent for 2007. The safeguard will end in January 2008, when the TRQ is phased out and the high-tier tariff drops to zero, as the following table shows:

YEAR	TRQ (MT)	TARIFF	HIGH-TIER TARIFF
2003	100,000	0	98.8
2004	101,000	0	79.0
2005	102,010	0	59.3
2006	103,030	0	39.5
2007	104,060	0	19.8
2008	0	0	0

The following table summarizes some of the regulations that are currently being implemented by the Mexican government for imports of live poultry and poultry meat from the United States.

REGULATIONS FOR POULTRY AND POULTRY PRODUCTS EXPORTS

ITEM	RAW POULTRY FOR RETAIL & FOR FURTHER PROCESSING	FULLY COOKED POULTRY MEAT AND EGG PRODUCTS	TABLE, SPF AND HATCHING EGGS	LIVE BIRDS
Export Status All U.S. States	YES	YES	YES ❶	YES
Required Language On Cleaning And Disinfection Of Trucks	YES	NO	YES	YES
Required Sealing Of Trucks At Point Of Origin	NO	NO	NO	YES
Required Language that Product is Fit for Human Consumption and Freely Marketed in the U.S.	YES	NO	❷	❷
Agar Gel or ELISA Test Required	❸	NO	❸	❸
Certification Requirements On END ❹	YES	YES	YES	YES

❶ The boxes of table eggs as well as SPF eggs must show the stamp of the competent authority.

❷ SPF, hatching eggs and live birds should be freely marketed in the U.S.

❸ When a plant and farm/flock is registered under the National Poultry Improvement Plant (NPIP), the Agar Gel or ELISA test will not be required; otherwise the tests will be required by SAGARPA.

❹ END statement for meat, meat products and by products. - "That the product comes from flocks that have a monitoring program of 70 birds that began after 12 days of age, using viral isolation tests and identification of velogenic strains through a test that indicates intracerebral pathogenicity in chicks of one day of age and that is carried out for each lot that is delivered for slaughter, obtaining negative results for Velogenic Newcastle disease, or that comes from a country free of Velogenic Newcastle Disease. "

For additional information regarding poultry meat and egg products exports to Mexico see the web page USDA/FSIS/Export Library at http://www.fsis.usda.gov (Export Requirements for meat and poultry products).

POLICY

The SAGARPA import requirements are outlined in the Zoosanitary Import Requirement Sheets (HRZ) by type of products. Currently raw poultry imports are to comply with one of two options regarding AI testing: a) a negative result on 59 samples to AGID or ELISA tests or; b) that the flock/farm of origin is recorded in the U.S. National Poultry Improvement Plan (NPIP). SAGARPA and USDA agreed that the NPIP would be deemed as an equivalent program to the regulation NOM-044-ZOO-1995 “National Campaign against Avian Influenza” that was modified and implemented on August 14, 2006.

MARKETING

Generic advertising campaigns have been successful at increasing domestic consumption of poultry products in Mexico. Currently, most poultry meat in Mexico is sold as whole birds. The local industry supplies and delivers whole birds through wholesale public and wet markets overnight to the major cities. Sales of chilled or refrigerated poultry meat through supermarkets account for less than 10 percent of overall consumption. However, Mexico’s supermarket segment is growing rapidly and now accounts for about 40 percent of overall food sales in Mexico. As the industry expands, the share of poultry sold via supermarkets is expected to grow as consumers become more accepting of poultry cuts and other poultry products. USAPEEC’s Mexico office has actively promoted poultry products in various large retail and food service exhibitions within USDA/Agricultural Trade Show Pavilions like ANTAD and ABASTUR. For cooked and processed poultry products, USAPEEC has also participated in EXPHOTEL and EXPO-AGROALIMENTARIA. USAPEEC will continue to support marketing strategies within the NEPP (NAFTA Egg and Poultry Partnership), which promotes the exchange of information and technical expertise between both the U.S. and Mexican poultry industries. Lat year Mexico’s poultry industry, as well as USAPEEC’s Mexico office, distributed information and launched a series of advertisements to inform Mexican consumers about avian influenza.

TURKEY MEAT

PRODUCTION

Turkey meat production for MY 2008 (Jan-Dec) is forecast to increase to 15,240 MT, up from the 14,800 MT estimate in MY 2007, as demand for turkey meat continues to strengthen. MY 2006 production was also revised upward to 14,400 MT. However, domestic producers continue to face competition from U.S. and Chilean imports. Domestic turkey meat production represents less than 10 percent of total poultry meat consumption, and domestic firms sell about 75 percent of their production as uncooked whole turkeys for the Christmas season. The balance is sold as domestic turkey cuts and further-processed products such as turkey patties, nuggets, cold cuts and oven-cooked turkey legs. Two companies account for almost 90 percent of total domestic production. Most turkey is produced in the states of Sonora, Chihuahua and Yucatan, which account for 40, 35 and 20 percent, respectively, of total Mexican turkey production.

Genetics are usually sourced from the United States. The main turkey breeding flocks in Mexico are Buta with 45 percent, Orlop with 30 percent, and Nicolas with 25 percent of domestic production. Producers import almost all of the progenitor stock and are also importing fertile eggs for light and heavy breeders.

CONSUMPTION

Turkey meat consumption for MY 2008 is forecast to increase to 207,000 MT in response to growing demand for turkey products from the processing industry. Turkey meat consumption estimates for MY 2007 were revised slightly downward from previous estimates due to a slower demand, but still reflect an increase of almost five percent from MY 2006 consumption data. Data for MY 2006 consumption was revised upward based on industry information. Consumption of turkey meat in the form of cold cuts continues to increase primarily through sales in supermarkets and delicatessen-type restaurants. Cooked hams made from blends of domestic pork and U.S. turkey thigh meats are substantially cheaper than all-pork cooked hams. Most of the whole turkey demand occurs during the Christmas season, where the average bird weight is 15 pounds. Industry sources report that consumption patterns for turkey and turkey products are changing as consumers become increasingly health conscious. The Poultry Producers Association estimates that average per capita consumption for turkey has increased from 4.0 pounds in 2005 to 4.2 pounds in 2007, including whole turkey, turkey cuts and other turkey products.

TRADE

MY 2008 turkey meat imports are forecast to increase to 207,000 MT as demand for turkey cuts for further processing is expected to continue. Turkey meat import estimates for MY 2007 were revised downwards from previous estimates due to a slower rate of imports, but still reflecting an increase compared to MY 2006 imports. Import estimates for MY 2006 were revised upward based on trade data. The processing industry imports most of the turkey cuts and mechanically separated turkey (MST) as inputs for the domestic cold-cuts industry since domestic production cannot supply domestic demand. Domestic meat processors use turkey thigh meat to produce cooked hams made up of blends of domestic pork and U.S. turkey thighs. The United States is the main supplier of turkey meat, however, Chile's presence in the poultry market is expected to continue as importers seek to diversify suppliers. Chilean products are competitively priced and suitable for processors who are willing to work with frozen product. Chilean poultry imports are duty free under the Mexico-Chile Free Trade Agreement. The leading turkey processors have been successful in gaining shelf space for fresh turkey cuts, and high value products, by targeting medium- and high-income segments of the population.

MARKETING

Around 75 percent of Mexican production is marketed as whole turkeys during the Christmas season, and approximately 25 percent is sold as cut-up and further processed turkey meat products. USAPEEC, along with local turkey producers, have sponsored generic marketing campaigns to increase overall consumption of selected turkey products in Mexico. These activities are likely to continue, as turkey meat consumption has great potential for growth. USAPEEC Mexico has also participated in large retail and foodservice shows to promote further-processed poultry products (see chicken meat marketing section)